

California State Lottery Commission

Minutes – May 21, 2026

Sacramento, California

1. Call to Order

Commissioner Chair Anthony Garrison-Engbrecht called the meeting of the California State Lottery Commission to order at 10:04 a.m.

2. Pledge of Allegiance

Chairman Garrison-Engbrecht led the Pledge of Allegiance.

3. Roll Call

Chairman Garrison-Engbrecht asked Farida Osman to call the roll.

Commission Members Present:

Chairman Anthony Garrison-Engbrecht

Vice Chair Keetha Mills

Commissioner Tiffani Alvidrez

Commissioner Alexandre Rasouli

California State Lottery Staff and Presenters:

Harjinder K. Shergill-Chima, Director

Fernando Aceves, Chief Counsel

Nicholas Buchen, Deputy Director, Finance

Jim Hasegawa, Deputy Director of Business Planning

Kayla Kassis, Assistant Deputy Director for Business Planning

Sharon Allen, Deputy Director, Sales and Marketing Division

Marissa Fernandez, Staff Services Manager

Farida Sarwari, Assistant to the Commission

Rebecca Estrella, Recording Secretary

Members of the public who addressed the Commission:

Frances O'Rourke – SEIU 1000 Union Steward

Shannon Kane – Althea Canines

4. Consider Approval of the Agenda

Chairman Garrison Engbrecht asked the Commissioners if there were any proposed changes to the day's agenda. Hearing none, Commissioner Alvidrez made a motion to approve the agenda, and Commissioner Mills seconded the motion.

5. Approval of Minutes

Chairman Garrison-Engbrecht asked if there were any corrections to the minutes of the March 26, 2026, Commission meeting. Hearing none, Commissioner Mills

made a motion to approve the agenda, and Commissioner Alvidrez seconded the motion.

6. Informational Items

a. Director's Comments

Director Chima reported that fiscal year sales through May 9 reached \$8 billion, representing 99% of the annual goal and a 5% increase over the same period last year. Scratchers remained the Lottery's largest product line, while multi-state games exceeded their sales goal, driven by multiple billion-dollar Powerball jackpots. Hot Spot also outperformed expectations following a successful promotional campaign.

Ms. Chima further reported that estimated contributions to education through the end of April totaled \$1.76 billion, exceeding the fiscal year goal by \$66 million and surpassing the prior year's contributions by \$150 million. She also highlighted the successful launch of the new *Jaws* Scratchers game, which has generated strong player interest.

The new *Jaws* Scratchers game, generated more than \$16 million in sales during its first three weeks—50% higher than the average \$5 game and the strongest \$5 game launch since 2021. The game also features a second-chance promotion offering themed prizes and a VIP trip to Martha's Vineyard, where *Jaws* was filmed.

Ms. Chima also announced the launch of a new statewide Scratchers marketing campaign, "Say Hello to a Little Play," aimed at repositioning the category and increasing player engagement through television, radio, digital, social media, and multilingual outreach.

Finally, Ms. Chima emphasized the Lottery's continued efforts to raise public awareness of its education mission, highlighting a recent partnership with Glendale Community College that showcased how Lottery funding supports student programs, including athletics, and reinforces the positive impact of Lottery proceeds on California public education.

b. Draft Strategic Plan and Fiscal Year 2026-27 Business Plan

Deputy Director Hasegawa presented the Draft Strategic Plan, explaining that it provides the Lottery's general direction over the next three to five years to increase contributions to California public education. He noted that the plan is the result of an extensive process involving executive leadership and a review of business performance, market trends, and consumer insights.

Mr. Hasegawa reported that following significant growth after the removal of prize payout restrictions in 2010, Lottery sales have begun to level off, requiring a new strategic focus. The overarching financial goal of the new plan is to surpass Florida in both sales and contributions to education.

Mr. Hasegawa highlighted the first strategic objective: reducing the Lottery's reliance on billion-dollar jackpots by growing draw game sales outside of major jackpot periods. He explained that California is more dependent on Mega Millions and Powerball jackpot spikes than other large lotteries, creating greater sales volatility. The objective is to encourage more consistent player participation and strengthen long-term revenue growth while continuing to maximize contributions to public education.

Assistant Deputy Director Kassis stated that the first-year implementation of the Lottery's strategic objective to reduce reliance on billion-dollar jackpots will focus on increasing awareness and excitement for draw games at all jackpot levels. Planned initiatives include adding a third weekly draw to SuperLotto Plus on Mondays to coincide with Powerball, based on prior success with additional draw days, although implementation is not expected until 2027. She also explained that the Lottery expects to begin a pilot program allowing customers to purchase and claim jackpot game tickets at grocery store checkout lanes and will continue investing in jackpot advertising, communications, and permanent jackpot billboards to encourage participation before jackpots reach extraordinary levels.

Mr. Hasegawa then introduced the second strategic objective of continuing to eliminate barriers to play among infrequent Scratchers players. He explained that this objective builds upon prior strategic efforts and incorporates the Lottery's ongoing education awareness campaign, recognizing that uncertainty about where Lottery proceeds go is itself a barrier to participation.

Mr. Hasegawa stated that consumer research identified several perceptual barriers among infrequent Scratchers players, including reluctance to view themselves as gamblers, feelings of guilt associated with playing, and failure to recognize the entertainment value of Scratchers. He explained that since the launch of the category repositioning campaign in 2021, research has shown statistically significant improvements in public perceptions that Lottery games are fun and worth the entertainment value. He further noted that actual playership has increased substantially, with 56% of California adults having played Scratchers in the past year and 40% having played in the past month, demonstrating that the campaign has influenced both attitudes and behavior.

Mr. Hasegawa also reported that public awareness regarding Lottery funding for education has improved significantly, with 38% of California

adults now correctly identifying education as the Lottery's beneficiary, compared to approximately 25% before the campaign. Despite these gains, he identified two remaining barriers requiring additional focus: the decline in consumers carrying cash and the difficulty casual players experience when choosing among numerous Scratchers games, often feeling overwhelmed or concerned about delaying checkout lines.

Ms. Kassis then outlined FY 2026-27 initiatives supporting this objective. She stated that the Lottery will launch a cashless payment pilot allowing debit card purchases at approximately 450 Lottery vending machine locations, followed by a six-to-eight-month evaluation of costs and benefits. She also announced the planned launch of a Godzilla-themed Scratchers game intended to build on the success of entertainment-focused products like Jaws. Ms. Kassis explained that the Lottery will continue its Scratchers category repositioning campaign, emphasizing fun and entertainment while maintaining efforts to demonstrate how Lottery proceeds support California schools to build public trust and transparency.

Mr. Hasegawa then introduced the third strategic objective: expanding efforts aimed at core Scratchers players. He explained that although these marketing tactics have always existed, greater emphasis is now necessary to produce more immediate sales gains while the first two strategic objectives take longer to fully implement.

Mr. Hasegawa noted that economic uncertainty, inflation, and increased competition from other forms of gaming and entertainment have contributed to reduced spending by both casual and core Scratchers players. He specifically referenced the growth of player proposition betting and prediction markets as emerging competitive pressures that may draw consumers away from Lottery products.

He presented data indicating that estimated spending by core Scratchers players declined approximately 5% in FY 2024-25, while spending by casual players declined between 25% and 30%. He also compared California's Scratchers sales to other states, explaining that although California leads in total sales volume, it ranks only 18th nationally in per-capita Scratchers sales. Research indicated that California's player ship rates are comparable to leading states such as Florida and Massachusetts, but players in those jurisdictions spend more per person than California players. Hasegawa suggested that increased sales could therefore be achieved by encouraging existing players to play slightly more frequently or spend modestly more per purchase, rather than by dramatically expanding the player base.

He further noted that California and New York are the only top-ten lottery jurisdictions without a \$50 Scratchers ticket, making that product a potential future opportunity.

Ms. Kassis stated that FY 2026-27 initiatives will include launching three \$30 Scratchers games and two \$40 games, representing an expansion over the current year's offerings. She also explained that the Lottery will conduct analysis and planning for a potential \$50 Scratchers ticket while evaluating profitability and prize payout considerations before implementation. Additionally, she noted that the Second Chance loyalty program infrastructure will be enhanced to create greater engagement opportunities for the Lottery's most active players.

Mr. Hasegawa then introduced the fourth strategic objective: elevating the customer experience for players, retailers, and internal Lottery employees. He explained that while previous strategic plans focused on retailer relationships, the new objective broadens the emphasis to encompass the complete customer experience across all interactions with the Lottery.

Mr. Hasegawa distinguished customer experience from customer service, explaining that customer experience includes every interaction consumers have with the Lottery, from advertising and purchasing through prize claiming and ongoing engagement. He cited research indicating that organizations excelling in customer experience are significantly more likely to achieve financial goals and become desirable workplaces. Although current satisfaction scores for Lottery players and retailers approximate national averages, he emphasized that the Lottery seeks to exceed average performance and provide exemplary experiences.

Ms. Kassis then described extensive FY 2026-27 customer experience initiatives. She explained that a cross-divisional committee will conduct comprehensive evaluations of player, retailer, and employee experiences, reviewing existing research, conducting new studies, and identifying industry best practices to establish long-term customer experience priorities and performance measures.

Ms. Kassis further stated that implementation efforts will include upgraded digital signage at district offices, electronic prize claim submission and payment systems, increasing same-day district office prize payment limits from \$1,000 to \$5,000, and piloting the ability for Lottery vending machine customers to immediately use winning ticket values toward new purchases without first cashing tickets separately. Retailer improvements will include equipment upgrades and development of a digital retailer application process, while employee initiatives will focus on data systems, analytics, facility improvements, internal communications, and mission and values programs.

Mr. Hasegawa then presented the fifth strategic objective: transforming and modernizing Lottery programs and processes to reduce costs and free staff time for revenue-generating initiatives. He explained that although Lottery sales increased only 5% between FY 2021-22 and FY 2023-24, operating costs increased 18% during the same period, resulting in reductions to the marketing budget. He emphasized that controlling operating expenses is critical to maximizing contributions to public education.

Mr. Hasegawa clarified that modernization does not refer to online wagering or simply upgrading technology for its own sake. Rather, technology investments should only be pursued where they reduce costs or eliminate manual processes, thereby allowing staff to focus on higher-value activities.

Ms. Kassis outlined initial modernization initiatives, including evaluating more cost-effective methods of maintaining the Lottery's public website, digitizing retailer application processes to reduce manual data entry and improve security, and developing an enterprise-wide roadmap to identify and prioritize programs and processes that offer the greatest opportunities for cost savings and efficiency improvements.

Commissioner Alvidrez questioned the anticipated timeline for introducing a \$50 Scratchers ticket and requested comparative information regarding pricing strategies used in other states. Ms. Kassis responded that implementation would likely occur sooner rather than later but emphasized that additional research regarding optimal prize payout policies and long-term sustainability is required before committing to a timeline.

Mr. Hasegawa explained that California's historical approach of gradually introducing higher-priced games had produced sustained long-term growth rather than the temporary spikes seen in some other jurisdictions. Ms. Kassis further noted that evolving industry trends and the prevalence of higher-priced games elsewhere require a refreshed prize payout study before implementation.

Commissioner Alvidrez also inquired about broader modernization efforts beyond the Lottery's direct control, including legal and policy changes surrounding online wagering and technology restrictions. Mr. Hasegawa responded that the strategic plan intentionally includes only initiatives within the Lottery's authority, although broader legislative and policy discussions continue externally. Deputy Director Allen added that current legal restrictions also affect technology improvements such as digital play slips and other modernization efforts.

Vice Chair Mills praised the presentation, but expressed concern about reductions in marketing funding, given the strategic plan's reliance on

advertising and public perception campaigns. She encouraged a more aggressive pursuit of operational efficiencies, questioned the continued reliance on paper-based processes, urged consideration of artificial intelligence to improve efficiency, and requested greater transparency regarding budget decisions and the allocation of cost reductions across departments.

Chairman Garrison-Engbrecht commended the presentation and expressed interest in comparative data regarding average weekly player spending across other states. She also inquired about research into how casual players select Scratchers games and whether product presentation or visual characteristics influence purchasing decisions.

Ms. Allen explained that different consumers are attracted to different themes, price points, colors, and game formats, requiring a diverse product portfolio and varied merchandising strategies. She described ongoing efforts involving product design, menu boards, vending machine displays, retailer recommendations, and visual merchandising to improve the purchasing experience.

Mr. Hasegawa concluded by explaining that the Lottery is conducting additional consumer research to better understand how players mentally organize and distinguish among numerous Scratchers games, providing insights to further improve marketing, merchandising, and customer experience strategies.

Chairman Garrison-Engbrecht thanked staff for the comprehensive presentation and announced a brief five-minute recess

Upon returning from recess, Chairman Garrison-Engbrecht announced a change to the meeting agenda, explaining that he would move directly to the action items to ensure sufficient time to address and vote on the matters requiring Commission approval.

c. Draft Fiscal Year 2026-27 Budget

Deputy Director Buchen explained that the budget is developed through a zero-based budgeting process in which each expense is individually justified and evaluated against strategic priorities, anticipated benefits, and available resources.

He reported projected sales of approximately \$9.32 billion and a contribution to education of about \$2.066 billion. He emphasized that the Lottery's budget is driven by projected ticket sales minus prize expenses and administrative costs, with the remaining funds supporting public education.

Mr. Buchen outlined key sales assumptions, including continued growth in Scratchers offset by expected declines in multistate games due to unusually favorable jackpot “rollover luck” in the current year. He noted that the budget assumes average (50th percentile) rollover conditions going forward and includes plans for new Scratchers game launches to support sales.

He explained that prize expenses are projected to increase alongside sales, but at a higher rate due to the product mix, resulting in a slight decline in net revenue after prizes. Administrative expenses remain capped at 13% of sales, including retailer compensation, gaming costs, and operating expenses, with significant increases driven by higher Scratchers production costs, staffing growth, and state-assessed overhead charges.

Mr. Buchen also described reductions in marketing and education campaign funding to maintain an administrative reserve, noting that these funds may be restored later in the fiscal year depending on sales performance. He added that a portion of the reserve is also held to account for sales uncertainty and unanticipated costs.

He stated that the projected contribution to education remains strong historically, but is slightly lower year-over-year due to the sales mix and higher prize payouts. He concluded that approximately 95 cents of every dollar is returned to the public through prizes, education funding, and retailer compensation.

During the Commission discussion, Vice Chair Mills requested additional historical data on sales trends, rollover luck assumptions, and administrative spending as a percentage of sales to better evaluate budgeting assumptions. She expressed concern that conservative projections and use of reserves to “plug” the 13% administrative cap may create disruption for marketing and strategic initiatives.

Mr. Buchen responded that the reserve structure is intended to provide stability against uncertain sales performance and unforeseen costs, noting that actual spending is typically below the 13% cap and that reserves help manage volatility.

The Chairman and Commissioners acknowledged the complexity of the budget process, supported further discussion on aligning budget assumptions with strategic goals, and emphasized the need to balance prudent financial management with operational effectiveness.

7. Consent Calendar

There were no items on the consent calendar.

8. Action Items

a. Statewide Furniture CMAS Contract

Staff Services Manager, Marissa Fernandez stated that the Lottery is seeking Commission approval to enter into a services agreement with PeopleSpace, a vendor participating in the California Department of General Services' California Multiple Award Schedule (CMAS) program. She explained that CMAS vendors have already been evaluated to ensure their pricing is fair, reasonable, and competitive.

Ms. Fernandez explained that PeopleSpace would provide modular furniture and related services, including furniture reconfiguration and installation. These services are coordinated by the Operations Division and are expected to remain necessary as the Lottery continues to grow.

She reported that 2025 data showed annual expenditures averaging approximately:

- \$100,000 for headquarters reconfigurations
- \$200,000 for district office reconfigurations
- \$36,000 for miscellaneous items such as equipment parts and reasonable accommodations

This creates a total annual cost of approximately \$336,000.

Because the CMAS agreement expires in February 2031, Ms. Fernandez stated that the Lottery proposes entering into a five-year services agreement aligned with that expiration date. Staff therefore recommended Commission approval of a contract with PeopleSpace with a maximum expenditure of \$1,680,000 over the five-year term.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 8(a). No public comments were received.

Commissioner Alvidrez made a motion to approve the item, and Commissioner Mills seconded the motion. The motion passed unanimously after a roll-call vote.

b. Mytess Delivery Solutions LLC, Bulk Carrier Contract Extension

Deputy Director Allen requested approval for a one-year extension of the contract with Mytess Delivery Solutions, which provides bulk delivery of Scratchers tickets and point-of-sale materials between the Lottery's Northern and Southern Distribution Centers. The current contract expires in June.

Ms. Allen explained that the original 2022 contract was approved for \$400,000, with two optional one-year extensions, and the first extension increased the authority to \$800,000. Mytess supports distribution to nine district offices and over 23,000 retailers statewide, and it has performed reliably.

She noted that while the Lottery could re-bid the contract, staff recommends extending it due to satisfactory performance and the availability of an existing extension option. Approximately \$425,000 in funds remain, and an additional \$90,000 is needed based on projected shipment volume.

Staff recommended extending the contract through June 21, 2027, and increasing total authority to \$890,000.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 8(b). No public comments were received.

Commissioner Mills moved to approve Action Item 8b, and Commissioner Rasouli seconded the motion.

c. Extension and Addition of Funds to Firewood Marketing, Inc. dba Monks

Deputy Director Allen requested approval to exercise an emergency extension of its contract with Firewood Marketing (Monks) for Hispanic advertising and marketing services, extending work through July 2027. She noted the current contract expires in October and the extension is needed to avoid disruption while a new procurement process is completed.

Ms. Allen explained that the original 2019 contract was awarded for five years with \$30 million in expenditure authority, and both optional one-year extensions have already been used. The contract was also increased by \$3 million last year. The agreement includes an emergency provision allowing a limited extension in urgent circumstances while a new RFP is developed.

She emphasized that Monks supports critical functions, including Hispanic market strategy, media planning, creative development, and advertising execution, and has consistently performed at a high level. She also referenced recent campaign creative as an example of their work.

Ms. Allen noted that marketing agency procurements are complex, take over a year to complete, and must be carefully staggered. The extension is necessary to avoid overlap with other ongoing procurement efforts and ensure continuity of Hispanic marketing campaigns.

She reported that about \$640,000 in funding would remain at term end, and an additional \$5.8 million is needed to support the extension period.

Chairman Garrison-Engbrecht asked if any member of the public had any questions or comments regarding Action Item 8(c). No public comments were received.

Commissioner Alvidrez moved to approve Action Item 8c, and Commissioner Rasouli seconded the motion.

9. Public Discussion

Ms. O'Rourke, Lottery staff and union steward, stated that an employee returning from medical leave in February with a documented disability requiring a service animal was initially allowed to work with the animal at the Sacramento District Office. She reported that shortly afterward, the employee was instructed either to work without the service animal or take leave while Human Resources reviewed a complaint, without first verifying the complaint or properly reviewing medical documentation.

She further stated that the Lottery lacks a clear policy on service animals.

Ms. O'Rourke urged the Commission to take corrective action.

Shannon Kane, Executive Director of Althea Canines, spoke in support of service animal education. She explained that under the Americans with Disabilities Act, service animals are defined as dogs or miniature horses trained to perform tasks related to a disability and are considered a form of medical support rather than pets.

She offered her organization's assistance in providing education and training to Lottery employees, management, HR, and the Commission to improve understanding of service animal requirements and workplace compliance.

Chairman Garrison-Engbrecht thanked the members of the public for their comments

10. Commissioner General Discussion

Chairman Garrison-Engbrecht opened the Commissioner's general discussion and noted he had two brief announcements.

He first recognized Assistant Deputy Director of Human Resources Dottie Wallace, acknowledging her upcoming retirement after three decades of state service and 14 years with the Lottery's Human Resources Division. He stated it would be her last Commission meeting and thanked her for her service. The Commissioners and audience gave her a standing acknowledgment.

Ms. Wallace expressed appreciation for her time at the Lottery, stating she was proud of the organization's workforce stability and engagement. She cited a 10% vacancy rate at the Lottery compared to roughly 18% statewide, and reported an employee engagement score of 82%, which she noted is considered "world class" by Gallup standards. She attributed these results to strong leadership, a healthy workplace culture, and employee commitment to the Lottery's mission.

Commissioner Alvidrez then offered remarks, thanking Ms. Wallace for her service and for the context she provided regarding staffing and organizational health, noting that it was meaningful to hear her perspective after years of leadership transitions and extensive budget and operational discussions.

The Chairman then noted a final announcement recognizing Commissioner Alvidrez's birthday. Commissioners and attendees offered birthday congratulations.

11. Scheduling Next Meetings

The next Commission Meeting dates are tentatively scheduled for June 16, September 1, and November 19, 2026. All meetings will be held in Sacramento.

12. Adjournment

Chairman Garrison-Engbrecht adjourned the meeting at 12:52 p.m.